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**LOUISIANA HORSEMEN'S PENSION TRUST**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 31 2012**



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**LOUISIANA HORSEMEN'S PENSION TRUST**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

# LOUISIANA HORSEMEN'S PENSION TRUST

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**Independent Auditors' Report**

The Board of Directors  
Louisiana Horsemen's Pension Trust

We have audited the accompanying statements of net assets available for benefits and of accumulated benefits of the Louisiana Horsemen's Pension Trust (the Trust) as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits and of changes in accumulated benefits for the years then ended. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2011 and 2010 financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2011 and 2010, and changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of the Louisiana Horsemen's Pension Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Metairie, Louisiana  
June 18, 2012

**LOUISIANA HORSEMEN'S PENSION TRUST**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

**DECEMBER 31, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 568,221	\$ 359,620
Investments at fair value		
U.S. government securities	-	144,009
Certificates of deposit and deposit notes	765,861	721,591
Common stocks	609,878	495,628
Mutual funds	-	112,800
Total investments at fair value	<u>1,375,739</u>	<u>1,474,028</u>
Accrued interest	6,242	6,947
Due from related party - LAHBPA Medical Trust	-	138,259
1% Purse receivable	71,313	89,482
Prepaid income taxes	37,034	80,275
	<u>114,589</u>	<u>314,963</u>
Total assets	<u>\$ 2,058,549</u>	<u>\$ 2,148,611</u>

**LIABILITIES**

Liabilities		
Operating payables	\$ 11,284	\$ 15,560
Death benefit payable	7,500	25,025
Due to related party - LAHBPA 1993 Inc.	-	172,751
Deferred tax liability	16,000	25,000
Total liabilities	<u>34,784</u>	<u>238,336</u>
Net assets available for benefits	<u>\$ 2,023,765</u>	<u>\$ 1,910,275</u>

See accompanying notes to financial statements.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Additions to net assets attributed to:		
Investment income		
Interest and dividends	\$ 52,591	\$ 48,313
Net realized and unrealized gains (losses)	<u>(36,084)</u>	<u>83,982</u>
Total	<u>16,507</u>	<u>132,295</u>
Contributions		
1% Purse paid	975,750	957,008
Horsemen's Bookkeeper - pony lead fees	<u>4,459</u>	<u>4,746</u>
Total contributions	<u>980,209</u>	<u>961,754</u>
Total additions	<u>996,716</u>	<u>1,094,049</u>
Reductions to net assets attributed to:		
Payments to participants	555,373	697,810
Death benefit expenses	59,878	40,148
Administrative expenses	<u>267,975</u>	<u>197,741</u>
Total reductions	<u>883,226</u>	<u>935,699</u>
Change in net assets	113,490	158,350
Net assets available for benefits, beginning of year	<u>1,910,275</u>	<u>1,751,925</u>
Net assets available for benefits, end of year	<u><u>\$ 2,023,765</u></u>	<u><u>\$ 1,910,275</u></u>

See accompanying notes to financial statements.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**STATEMENTS OF ACCUMULATED BENEFITS**

**DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Present value of accumulated benefits		
Vested benefits:		
Participants currently receiving payments	\$ 2,939,265	\$ 3,487,672
Other participants	<u>3,635,589</u>	<u>4,144,144</u>
	<u>\$ 6,574,854</u>	<u>\$ 7,631,816</u>

See accompanying notes to financial statements.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**STATEMENTS OF CHANGES IN ACCUMULATED BENEFITS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Present value of		
Accumulated benefits at beginning of year	\$ 7,631,816	\$ 6,938,804
Increase (decrease) during the year attributable to:		
Plan amendment	(1,633,940)	-
Benefits accumulated	1,192,229	1,430,970
Benefits paid	<u>(615,251)</u>	<u>(737,958)</u>
	<u>(1,056,962)</u>	<u>693,012</u>
Present value of		
Accumulated benefits at end of year	<u>\$ 6,574,854</u>	<u>\$ 7,631,816</u>

See accompanying notes to financial statements.



**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**1. Description of the Plan**

**Organization and Description of the Plan**

The purpose of the Louisiana Horsemen's Pension Trust (the Trust) is to provide retirement and other benefits to Trainers who comply with the terms and conditions set forth in its two plans: The Louisiana Horsemen's Pension Plan and the H.B.P.A. Louisiana Division Senior Member Retirement Plan. The benefits are provided to Trainers as members of the Louisiana Horsemen's Benevolent and Protective Association (H.B.P.A.).

The Trust was formed in order to continue to provide retirement and other benefits to qualified Trainers who derive income from the racing, training, and care of thoroughbred racehorses or quarter horses in Louisiana. Benefits shall be paid only from the available funds of the Trust. The Plans are not qualified retirement plans and are not subject to the limited provisions of the Employee Retirement Income Security Act of 1974.

The H.B.P.A. Louisiana Division Senior Member Retirement Plan covers Trainers that are over sixty years of age and had a defined number of starts for a defined period of racing seasons. This plan provides a retirement benefit that cannot exceed \$80 per month. There are no death benefit provisions under this plan. Trainers included in this plan remained in this plan when it was frozen with an amendment and restatement dated January 1, 1996. The amended and restated plan, dated January 1, 1996, is known as the Louisiana Horsemen's Pension Plan. Under this plan, Trainers become vested in the plan after earning ten credited years of training.

A credited year of training includes a plan year beginning on or after January 1, 1985, during which a Trainer has twelve (12) starts at a licensed Louisiana race track; a plan year beginning on or after January 1, 1996, during which a Trainer has twenty (20) starts at a licensed Louisiana race track; and a plan year beginning on or after January 1, 2000, during which a Trainer has thirty (30) starts at a licensed Louisiana race track and was domiciled in Louisiana for six (6) months during the plan year; a plan year beginning on or after January 1, 2011, during which a trainer has thirty (30) starts at a licensed Louisiana race track of which at least eight (8) starts occur in each of three quarters of the plan year. In addition, the Trainer must have raced in Louisiana for no less than 50% of the racing season and, as to both Plans, for which the Trainer has filed an application with the Trustees on a form provided.

Effective January 1, 2009, the Board approved a 75% increase in monthly pension benefits to all participants. Effective July 1, 2011, the Board approved a 20% decrease in monthly pension benefits to all participants. The effect of the change decreased the present value of accumulated plan benefits by \$1,633,940 during the year ended December 31, 2011.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**1. Description of the Plan (continued)**

Retirement benefits begin in the month following retirement or at age 65 or age 70, upon request. The amount of the monthly retirement benefit shall be determined by applying the average annual starts for the three (3) years from 1985, through the year prior to the year of retirement according to a graduating scale, with a minimum monthly benefit of \$150 and a maximum monthly benefit of \$350.

**Death and Disability Benefits**

Effective January 1, 1996, any Trainer with at least five (5) credited years of training is eligible for a deferred disability retirement benefit to begin at age 65. The monthly disability benefit will be \$15 per credited year of training up to a maximum of \$150 per month.

A Trainer who has at least ten (10) credited years of training is also eligible for a death benefit. The Trainer's designated beneficiary shall receive the unused vested pension amount or \$7,500, whichever is greater.

**2. Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Trust have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Cash and Cash Equivalents**

Cash equivalents are all highly-liquid investments with maturities of three months or less at date of acquisition.

**Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) include the Trust's gains and losses on investments bought and sold as well as held during the year.

## LOUISIANA HORSEMEN'S PENSION TRUST

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

#### 2. Significant Accounting Policies (continued)

##### Contributions

During the 2008 Louisiana Legislative Session, Louisiana Revised Statute 4:251.1 was enacted to provide for the Horsemen's Self-Help Pension Program (Horsemen's Pension Trust). Pursuant to Revised Statute 4:252 (c)(5), the Horsemen's Benevolent and Protective Association may utilize up to one-half of the authorized two percent of total amount of purses and purse supplements available for improving and administering the Horsemen's Pension Trust. In utilizing the funds authorized, not more than seventy-five percent shall be used to directly improve pension benefits and the remainder shall be placed for investment in the pension program's trust fund for the purpose of helping to ensure that said trust fund becomes self-sustaining.

##### Benefit Payments

Benefit payments to participants are recorded upon distribution.

##### Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions, to services rendered by the participants prior to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated participants or their beneficiaries and (b) present participants or their beneficiaries. Benefits for retired or terminated employees or their beneficiaries are based on the provisions of the Plan in effect at the time of retirement or termination.

The present value of accumulated plan benefits is determined by a Certified Public Accountant and is that amount that results from applying assumptions to adjust the accumulated plan benefits to reflect time value of money between the valuation date and the expected date of payment. The significant assumptions used in the valuation as of December 31, 2011 and 2010 were as follows: the present value was calculated based on an interest rate of 2.80% and 3.53% (the adjusted Federal long-term rate at December 31, 2011 and 2010), and the anticipated future stream of retirement benefit payments through age 80 for the participants credited with 10 years of service at December 31, 2011 and 2010.

The valuations are based on the assumption that the plan will continue. Should the Plan terminate, different assumptions and other factors might be applicable in determining the present value of accumulated benefits.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**2. Significant Accounting Policies (continued)**

**Present Value of Accumulated Plan Benefits**

Trust contributions are made and the present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, promised benefit amounts, and trainer demographics all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near future would be material to the financial statements.

This calculation was made for each of the 308 and 305 vested participants eligible for or already receiving retirement benefits in the Louisiana Horsemen's Pension Plan as of December 31, 2011 and 2010, with the exception of those in the discretionary Senior Pension Plan receiving benefits.

**Tax Status**

The Louisiana Horsemen's Pension Trust files as a taxable trust.

The Trust applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Trust has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Trust. The Trust's tax returns for the years ended December 31, 2010, 2009 and 2008 remain open and subject to examination by taxing authorities. The Trust return for the year ended December 31, 2011 has not been filed but is on valid extension.

During the year ended December 31, 2011 and 2010, included in general and administrative expenses is \$71,172 and \$1,889 of income tax expense. Also included in general and administrative expenses is a deferred tax (benefit) expense of (\$9,000) and \$25,000 for the years ended December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010 included in other liabilities is a deferred tax liability of \$16,000 and \$25,000, respectively, relating to the book-tax difference in recognition of investment gains and losses.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the present value of accumulated plan benefits at the date of the financial statements. Accordingly, actual results may differ from those estimates.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**3. Investments**

At December 31, 2011, investments are stated at fair value and consist of:

	Cost	Fair Value	Unrealized gain
Certificates of deposit and deposit notes	\$ 755,000	\$ 765,861	\$ 10,861
Common stocks	528,728	609,878	81,150
Total	<u>\$ 1,283,728</u>	<u>\$ 1,375,739</u>	<u>\$ 92,011</u>

At December 31, 2010, investments are stated at fair value and consist of:

	Cost	Fair Value	Unrealized gain (loss)
U. S. Government securities	\$ 150,000	\$ 144,009	\$ (5,991)
Certificates of deposit and deposit notes	702,000	721,591	19,591
Common stocks	401,758	495,628	93,870
Mutual funds	79,530	112,800	33,270
Total	<u>\$ 1,333,288</u>	<u>\$ 1,474,028</u>	<u>\$ 140,740</u>

The following investments represent five percent or more of the Trust's net assets at December 31:

	2011	2010
Merrill Lynch BIF Money Fund	\$ 568,221	\$ 359,620
Certificate of deposit - Carolina First Bank	*	99,685
Certificate of deposit - Banco Puerto Rico	*	101,920
Certificate of deposit - M&T Bank	102,018	101,811
Certificate of deposit - Midfirst Bank	*	99,828
Certificate of deposit - BMW Bank	*	99,986
Certificate of deposit - BMW Bank	*	97,591
Federal Home Loan Mortgage Corp.	*	144,009

\* Investment did not represent 5% or more of net assets in year.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**4. Fair Value Measurements**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**4. Fair Value Measurements (continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

*Common stocks, mutual funds, preferred stocks, state and municipal debt securities and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Certificates of deposit and deposit notes:* Valued at cost, which approximates market value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Trust's net assets at fair value as of December 31, 2011.

	Level 1	Level 2	Level 3	Total
CD's and Deposit Notes	\$ -	\$ 765,861	\$ -	\$ 765,861
Common Stocks				
Basic Materials	63,424	-	-	63,424
Consumer Goods	133,806	-	-	133,806
Financial	83,430	-	-	83,430
Healthcare	107,169	-	-	107,169
Industrial Goods	20,092	-	-	20,092
Major Integrated Oil and Gas	31,240	-	-	31,240
Services	26,150	-	-	26,150
Technology	144,567	-	-	144,567
Total Common Stocks	609,878	-	-	609,878
Total	\$ 609,878	\$ 765,861	\$ -	\$ 1,375,739

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**4. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Trust's net assets at fair value as of December 31, 2010.

	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$ 144,009	\$ -	\$ -	\$ 144,009
CD's and Deposit Notes	-	721,591	-	721,591
Mutual Funds	112,800	-	-	112,800
Common Stocks				
Conglomerates	16,769	-	-	16,769
Consumer Goods	60,620	-	-	60,620
Financial	103,468	-	-	103,468
Healthcare	86,617	-	-	86,617
Industrial Goods	40,313	-	-	40,313
Major Integrated Oil and Gas	47,841	-	-	47,841
Services	23,549	-	-	23,549
Technology	49,301	-	-	49,301
Telecommunication Services	27,999	-	-	27,999
Utilities	39,151	-	-	39,151
Total Equity Securities	495,628	-	-	495,628
Total	<u>\$ 752,437</u>	<u>\$ 721,591</u>	<u>\$ -</u>	<u>\$ 1,474,028</u>

**5. Related Party Transactions**

At December 31, 2010 included in total assets is \$138,259 due from LAHBPA Medical Trust. On March 25, 2011, the balance of \$138,259 was collected from LAHBPA Medical Trust.

At December 31, 2010, included in total liabilities is \$172,751 due to LAHBPA 1993 Inc. for management fees. During 2011, the Trust paid the balance due of \$172,751 in full to LAHBPA 1993, Inc. During the years ended December 31, 2011 and 2010, included in general and administrative expenses is \$120,000 for management fees paid to LAHBPA 1993, Inc.



## **LOUISIANA HORSEMEN'S PENSION TRUST**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**6. Termination of Plan**

In the event the Trust terminates, the net assets shall be allocated as follows: (a) first, to pay any benefits due and owing under the plan to the then current vested participants and beneficiaries; (b) second, to pay the expenses of terminating the Trust; (c) third, to pay benefits to participants and beneficiaries who were not previously vested (but who shall be deemed vested upon termination of the Trust) and (d) fourth, with respect to any excess, to all participants and beneficiaries in such manner as the Trustees shall determine.

**7. Risks and Uncertainties**

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net assets available for benefits.

**8. Concentration**

Contributions received from purse and purse supplements as reported on the Statements of Changes in Net Assets Available for Benefits represent 97.9% and 87.5% of total additions to plan assets during the years ended December 31, 2011 and 2010.

Financial instruments that potentially subject LAHBPA Pension Trust to credit risk include cash deposits in excess of federally insured limits. As of December 31, 2011 and 2010, all LAHBPA Pension cash deposits are maintained at one financial institution and risk of exposure totals \$318,221 and \$109,620 in uninsured balances, respectively.

**9. Federal Indictment**

In November 2010, the United States indicted the President and Executive Director of LAHBPA 1993, Inc. in a 29-count indictment charging mail fraud, wire fraud, identification information fraud and health care fraud in connection with the rigging of an election by which the President and Board of Directors of LAHBPA were elected in March 2008 and financial irregularities related to a Medical Benefit Trust operated by LAHBPA. Their positions with LAHBPA 1993, Inc. were terminated shortly after their indictments. In July 2011, the former Executive Director of the Company pleaded guilty to one count of conspiracy to commit mail fraud, wire fraud, and fraud in connection with identification documents, all in connection with the rigging of the March 2008 election. In September 2011, the former President of LAHBPA 1993, Inc. pleaded guilty to one count of conspiracy to commit mail fraud, wire fraud, fraud in connection with identification documents and health care fraud, all in connection with the rigging of the March 2008 election and financial irregularities related to the Medical Benefit Trust. The former Executive Director and the former President were sentenced in 2012.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**9. Federal Indictment (continued)**

Following their indictments in November 2010, the then-President and then-Executive Director resigned their positions. Effective November 22, 2010, pursuant to the bylaws, the Vice President assumed the position of President. The Vice President was replaced on the Board by the trainer candidate with the next highest number of votes in the March 2008 election. On March 31, 2011, as prescribed by the bylaws of LAHBPA 1993, Inc., an election was held to elect a new President and new Board of Directors, all to serve for a three-year term. The new President and Board of Directors were sworn into office on April 8, 2011. On April 8, 2011, the Board of LAHBPA 1993 Inc. voted to remove the existing Pension Trustees and appointed new Pension Trustees.

The Louisiana Horsemen's Pension Trust was not directly named or mentioned in the indictments. Management is not aware of any impact on the financial statements of the Trust as a result of the indictments and related investigation.

The Louisiana Legislative Auditor's office has performed procedures and on May 4, 2011 issued a compliance audit on the LAHBPA 1993 Inc. and its related entities. The Louisiana Legislative Auditor's office has an additional pending compliance audit of LAHBPA 1993 Inc. and its related entities and as of the report date, no report has been issued.

**10. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 18, 2012, and determined no items require disclosure.

**LOUISIANA HORSEMEN'S PENSION TRUST**

**SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT YEAR END)**  
**DECEMBER 31, 2011**

**Plan Number: 001**

**Employer I. D. #72-6154124**

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	<b><u>Cash and Cash Equivalents</u></b>			
	Merrill Lynch BIF Money Fund	568,221 shares	\$ 568,221	\$ 568,221
	Total Cash and Cash Equivalents		<u>\$ 568,221</u>	<u>\$ 568,221</u>
	<b><u>Investments</u></b>			
	<b><u>Certificates of Deposit</u></b>			
	Capmark Bank	Maturity date of August 6, 2012, 4.600%, 65,000 shares	\$ 65,000	\$ 66,331
	Banco Pop Puerto Rico	Maturity date of October 5, 2012, 4.650%, 97,000 shares	97,000	99,500
	M&T Bank	Maturity date of August 8, 2013, 4.900%, 97,000 shares	97,000	102,018
	Midfirst Bank	Maturity date of October 15, 2014, 2.900%, 98,000 shares	98,000	100,371
	BMW Bank of North America	Maturity date of November 25, 2015, 2.900%, 98,000 shares	98,000	96,441
	GE Capital Financial	Maturity date of October 2, 2013, 2.600%, 52,000 shares	52,000	52,711
	BMW Bank of North America	Maturity date of September 30, 2014, 2.900%, 98,000 shares	98,000	100,337
	Discover Bank	Maturity date of May 26, 2015, 1.800%, 75,000 shares	75,000	73,806
	Discover Bank	Maturity date of May 26, 2016, 2.200%, 75,000 shares	<u>75,000</u>	<u>74,346</u>
	Total Certificates of Deposit		<u>755,000</u>	<u>765,861</u>
	<b><u>Common Stocks</u></b>			
	ABB Limited	1,067 shares	18,567	20,092
	Abbott Laboratories	520 shares	27,642	29,240
	Aflac, Inc.	738 shares	32,263	31,926
	Altria Group, Inc.	880 shares	15,250	26,092
	Anadarko Petroleum Corporation	256 shares	16,800	19,540
	Annaly Capital Management, Inc.	954 shares	16,903	15,226
	Apple Inc.	73 shares	7,305	29,565
	AT&T, Inc.	953 shares	25,413	28,819
	Chevron Corporation	224 shares	14,712	23,834
	Cisco Systems, Inc.	1,598 shares	30,240	28,892
	Corning Inc.	1,752 shares	20,261	22,741

(continued)

**LOUISIANA HORSEMEN'S PENSION TRUST**

**SCHEDULE H, LINE 4(f) - SCHEDULE OF ASSETS (HELD AT YEAR END)  
DECEMBER 31, 2011**

**Plan Number: 001**

**Employer I. D. #72-6154124**

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
<b>Investments</b>				
<b>Common Stocks (continued)</b>				
	Harris Corporation	471 shares	16,845	16,975
	JPMorgan Chase & Co.	520 shares	19,884	17,290
	Kimberly-Clark Corporation	295 shares	18,375	21,700
	Koninklijke Philips Electronics NV	818 shares	16,828	17,137
	Marathon Oil Corporation	685 shares	16,914	20,050
	Medtronic, Inc.	717 shares	25,453	27,425
	Merck & Co. Inc.	875 shares	31,022	32,988
	Microsoft Corporation	677 shares	16,778	17,575
	Molson Coors Brewing Company	650 shares	25,638	28,301
	New York Community Bancorp Inc.	1,535 shares	15,857	18,988
	Newell Rubbermaid, Inc.	1,395 shares	16,868	22,529
	Pepsico, Inc.	272 shares	16,772	18,047
	Royal Dutch Shell plc	411 shares	23,684	31,240
	Teva Pharmaceutical Industries Limited	434 shares	16,844	17,516
	Walgreen Company	791 shares	25,610	26,150
	Total Common Stocks		528,728	609,878
	Total Investments		\$ 1,283,728	\$ 1,375,739
	Total Investments		\$ 1,851,949	\$ 1,943,960

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To: The Board of Directors  
Louisiana Horsemen's Pension Trust

We have audited the financial statements of Louisiana Horsemen's Pension Trust as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Louisiana Horsemen's Pension Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisiana Horsemen's Pension Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen's Pension Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Pension Trust's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Louisiana Horsemen's Pension Trust in a separate letter dated June 18, 2012.

This report is intended solely for the information and use of the Legislative Auditor of the State of Louisiana, the Louisiana Horsemen's Pension Trust's management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 18, 2012

To the Board of Directors  
Louisiana Horsemen's Pension Trust

In planning and performing our audit of the financial statements of the Louisiana Horsemen's Pension Trust (the Trust) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

However, during our audit we became aware of several matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Trust's internal control in our *Government Auditing Standards* letter dated June 18, 2012. This letter does not affect our report dated June 18, 2012 on the financial statements of the Trust.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience.

The Trust's written responses to the comments identified in Attachment I have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 18, 2012

**LOUISIANA HORSEMEN'S PENSION TRUST**  
**MANAGEMENT LETTER COMMENTS - PRIOR YEAR**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**2009-1 Outstanding Checks**

**Condition:** During the audit we noted that at December 31, 2009, the Trust has \$4,461 of outstanding checks in excess of one year old.

**Recommendation:** We recommend management review the outstanding checklist and remit unclaimed property to the State of Louisiana as applicable.

**Current status:** Resolved. See comment 2010-1

**2009-2 Documentation for Change in Participant Benefits**

**Condition:** Effective January 1, 2009, the Trust increased monthly pension benefits to all participants by 75%. The change was discussed and approved in a Board meeting on October 22, 2008; however, the change in benefits paid was not documented in an amendment to the Trust documents.

**Recommendation:** P&N recommends that the Trust documents be amended to reflect the changes in benefit payments to participants.

**Current status:** Resolved. See comment 2010-2



**LOUISIANA HORSEMEN'S PENSION TRUST**  
**MANAGEMENT LETTER COMMENTS – PRIOR YEAR**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**2010-1 Outstanding Checks**

**Condition:** During the audit we noted that at December 31, 2010, the Trust has \$5,265 of outstanding checks in excess of one year old.

**Recommendation:** We recommend management review the outstanding checklist and remit unclaimed property to the State of Louisiana as applicable.

**Current status:** Resolved.

**2010-2 Documentation for Change in Participant Benefits**

**Condition:** Effective January 1, 2009, the Trust increased monthly pension benefits to all participants by 75%. The change was discussed and approved in a Board meeting on October 22, 2008; however, the change in benefits paid was not documented in an amendment to the Trust documents.

**Recommendation:** P&N recommends that the Trust documents be amended to reflect the changes in benefit payments to participants.

**Current status:** Resolved; an amended plan document is currently in the final stages and is awaiting approval from all Trustees. This document addresses all benefits prior to 2009, benefits effective from January 1, 2009 through June 30, 2011, and benefits effective thereafter as of a 2011 reduction of benefits.